

May 4, 2010

The Honorable Dave Cox
Chair, Senate Local Government Committee
State Capitol, Room 5046
Sacramento, CA 95814

Re: Assembly Bill 155 (Mendoza) — Oppose

Fax: 916.322.0298

Dear Senator Cox:

On behalf of the board members of **Trinity Center Community Services District**, I am writing to **oppose Assembly Bill 155** by Assembly Member Tony Mendoza. Trinity Center CSD is located in northeast Trinity County and provides fire protection and medical emergency services to residents in and around the town of Trinity Center, California.

AB 155 requires local governments, including special districts, to first gain approval from the California Debt and Investment Advisory Commission (CDIAC) before filing for bankruptcy. We oppose this bill for a number of reasons:

- Bankruptcy is meant to give an entity some breathing room to restructure its debt and stay its financial obligations, but still continue to operate. If CDIAC withholds its approval of a bankruptcy filing, would the district simply dissolve, leaving constituents with no services or forcing the county or another district to pick up the services?
- AB 155 places the government entity and the constituents it serves at more risk than any bankruptcy. It places the district at further risk of default, creditors at risk of not getting paid, citizens without services, and the state with potential liability for damages and debts of that district. *This bill has potentially huge costs for local governments, our constituents and the state.*
- The proponents of the bill assert that a local government entity would want to file for bankruptcy merely to break labor contracts, thus justifying the need for this bill. This cannot be done now, however, because the filing goes to a federal bankruptcy judge to determine whether the local entity is indeed insolvent and thus may file for bankruptcy. Federal bankruptcy judges are impartial and are bankruptcy experts as they only handle bankruptcy cases. This is a safeguard for every group involved. CDIAC cannot offer anything beyond what bankruptcy judges currently provide.
- The decision to file for bankruptcy is not an easy one to make, nor is it particularly popular with local voters. It is the last option our special district would ever want to make. However, this responsibility should fall on the shoulders of the special district board members. This difficult decision should be made by elected officials on the local level, not by state-level public officials.

In summary, bankruptcy is not a decision our special district would consider lightly. In fact, for a locally elected official, filing for bankruptcy would be politically catastrophic and would be the very last option considered. The current system provides for a fair and impartial process where an experienced bankruptcy judge makes the determination

that the district or other local entity is, in fact, insolvent and may enter bankruptcy. Requiring CDIAC, an entity not experienced with bankruptcy, to be the gatekeeper as to whether a local government may file for bankruptcy is duplicative and does not add anything constructive to the process. This bill is unnecessary and leaves many questions unanswered.

For these reasons, we respectfully oppose AB 155 and ask the committee to oppose it as well.

Sincerely,

Trinity Center Community Services District
Glen Ahmann
Chairman, Board of Directors
P.O. Box 177
Trinity Center, CA 96091

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